

**Anton Slonimski\*, Maryna Slonimska\*\***

**ENTREPRENEURSHIP CROSS-BORDER COOPERATION  
FROM THE PARTICIPANTS' POINT OF VIEW**

**Introduction**

Recently we may observe a rising scientific interest to the cross-border cooperation problematic because of globalization and regionalization in the economic cooperation, the changes in the political map, European Union enlargement to the east. It is necessary to note, that there isn't unequivocal definition of the "cross-border cooperation" term, as well as there isn't definition of "cross-border trade" term<sup>1</sup>. Nevertheless cross-border cooperation for Belarus means the cooperation which is carried out within its territory by Belarus residents and non-residents for satisfaction of social, economic and cultural needs within the border territory<sup>2</sup>.

The core target and sphere of influence of such cooperation is determined in the European map of border regions. The purpose of border regions' activity and cross-border cooperation is overcoming obstacles and avoidance of the reasons of dividing these regions. For another thing, cross-border cooperation is the major factor of steady social and economic development and strengthening of competitiveness of border territories, integration them into inter-regional structures, employment and income growth at the local level<sup>3</sup>.

---

\*Dr, Economic Research Institute, Minsk, Belarus.

\*\*Dr, Vitebsk State Technological University, Vitebsk, Belarus.

<sup>1</sup> Краткий внешнеэкономический словарь-справочник, Москва1999: Международные отношения.

<sup>2</sup> О государственном регулировании внешнеторговой деятельности. Закон Республики Беларусь от 25 ноября 2004 г., № 347-3.

<sup>3</sup> Литвинюк А.И., Трансграничное сотрудничество и европейская кооперация. Минск 2009, БГПУ.

The complicated problems of new principles searching and significant cross-border relations deepening arose simultaneously after the joining Belarus western neighbors (Litva, Latvia and Poland) the EU. It's necessary to carry out a deliberate policy in interests of steady development of border territories (both state, and regional, including at a local level) to solve this problems. Unfortunately, a deficient legal framework, and sometimes rooted biases and myths hinder this activity. At the same time, there are no objective researches and estimations of the present condition and prospects of international regional and cross-border relations development between Belarus western border territories and EU eastern border territories.

The scientific research «Use of business resources for maintenance of border territories steady development», carried out in 2009–2011 at Belarus republican fund of basic researches support (grant F09MC-025), allows to fill in part this gap regarding cross-border economic relations. The fact, that the cross-border cooperation along EU eastern border territories (and, accordingly, Belarus western border territories) is the important factor of European integration deepening was the leading idea of the research. It can promote in overcoming negative consequences of peripheral position and isolation of the border territories on both sides of this border. Such cooperation is important, but poorly used factor of development and competitiveness of these regions, and also living standard growth of their inhabitants.

## **1. The Project Research Methodology**

The project research methodology concerning the respondents sampling among organizations, population and small enterprises was determined by necessity of revealing and an estimation of various forms of the cross-border cooperation and its contribution to regional development (in local enterprise sector development in particular).

The respondents sampling for deep interviews among organizations (10 interviews) was based on their roles in the cross-border cooperation and business development. The first group of the respondents was representatives of the local authority supervising questions of foreign trade activities and business development. The second group of the respondents was representatives of organizations, working in sphere business support and the international cooperation. The third group of the respondents was nongovernmental organizations (NGO) from so-called third sector. Respondents were heads of the corresponding organizations or highly competent functional employees – managers.

The choice of respondents for the interview among the border territories population (10 interviews) was based on their participation in foreign economic relations. The basic method of necessary respondents searching was friendly communications in researched territories, and some other kinds of "pointers", that has allowed to provide an atmosphere of trust during the interview.

The choice of respondents for the interview among the small enterprises (20 interviews) was based on search on the Internet in business support agencies on-line bases, communications at specialized exhibitions, the earlier respondents' recommendations, personal acquaintances and so on.

## **2. The Local Authorities', Business Associations' and Other Regional Business Infrastructure Organizations' Cross-border Cooperation**

Belarus western border cross-border cooperation has old traditions because of developed specialization and cooperation forms since Soviet Union. Moreover the local people good-neighborhood experience there lasts for centuries.

The EU expansion in 2004 promoted occurrence of new forms of the cross-border cooperation in the enterprise sector. The joint projects financed by special funds of the EU have appeared. However, during their realization arise new barriers, for example such as absence of the international agreements on a number of directions which complicate procedures of interaction.

The main tools of the cross-border cooperation are official delegations exchanges with participation of representatives of regional business, the organization of exhibitions, creation of joint ventures, the export-import enterprises border operations, etc.

The cross-border cooperation exists in two forms – formal and informal partnership. The formal partnership carried out through local administrations and other organizations usually considerably influence development of cross-border cooperation since realization of their actions involve more widely other organizations and the enterprises in the international cooperation.

The research has shown that informal cross-border partnership can lead to creation and development of formal partnership. So, in result of informal Belarus, Lithuania and Latvia local authorities' long-term contacts was created Euroregion "Lake District".

There are following types of the cross-border cooperation among the examined business support agencies: the infrastructural trans-border business support; the offering of business information; the organization of meetings with potential partners from the different countries; a help in searching of financing and perspective projects; the marketing researches of the markets; the legal consultation; the lobbying interests of businessmen; the organization of training seminars and trips for businessmen; the interaction with the other country business support agencies; the tourist and ecological interaction.

The advantages of border cooperation for the Belarus businessmen are in the overcoming the shyness which has arisen for years of some isolation, in training to contact and find a consensus in other country, in other conditions, to resolve force-majeure circumstances, in accumulating experience of the effective production organization.

Unfortunately, as the face-to-face poll showed up, cases of trans-boundary supporting business – interaction of cooperation with use of financing by the EU and international organizations there are extremely rare.

### **3. The Households' Entrepreneur Cross-border Cooperation**

The questionnaire results indicate, that a cross-border cooperation plays a significant role in the households' well-being, it increases a number of self-employed persons, reduces the social intensity in border regions.

The «shuttle trade» was generated with the specific conditions of the post-Soviet economy. This model of cross-border cooperation gives opportunity of the market expansion for one border region and cheaper goods and services obtaining for inhabitants of another one. So, the «shuttle trade» participants from the both border regions obtain profits.

For the respondents the «shuttle trade» is a form of self-employment and a chance of setting up the own firm. Nevertheless, the respondents noted the indifferent-negative attitude of the local officials to «shuttle traders» problems. The business-associations' support apply only to their members, and it is necessary to be, at least, an individual entrepreneur for that. At the same time, «shuttle traders» from time to time face with the toughening of customs and other conditions of the west border crossing. These circumstances transform «shuttle traders» into an additional income source for the local authorities by means of introduction ecological and other rates for this category of entrepreneurs.

The negative consequences of households' entrepreneur cross-border cooperation for border regions, as some respondents noted, are the following: the capital outflow from border regions, the decline in local production, the uncontrolled import of goods, the tax evasion, the qualified personnel outflow and sometimes the hard destinies of people, which have to trade semi- legally instead of working by profession.

#### **4. The Small and Medium Enterprises' Cross-border Cooperation**

The main type of the SME' cross-border cooperation, as the face-to-face poll showed up, is the type "the firm – the firm". Other types of the cross-border cooperation are: «the firm – the organization», «the firm – individual entrepreneur», «the individual entrepreneur – the individual entrepreneur».

The enterprises' cross-border cooperation most of all consists in the joint venture organization, the materials and the equipment purchases, the goods distribution, the deliveries of own manufacture goods, the transport services, the scientific and technical cooperation, the tourist and other services. The local enterprises' cross-border cooperation with the organizations consists in the assistance in reception of grants from the European funds, the methodical and organizational help for business, assistance in an establishment of contacts to the foreign enterprises. All types of cross-border cooperation are accompanied with an information exchange, and in case of interaction with a foreign individual (the physical person) reception of the information frequently was the basic purpose of cooperation.

Most of all business relations between the enterprises are officially registered. The gentlemen's agreements are used usually in the cooperation with physical persons and individual entrepreneurs. The respondents frequently were connected with foreign partners not only with business relationships, but also with friendly relations. Many respondents specified the big role of trust between partners which can appear only in case of the checked up long-term connections, or in case of the recommendation of the partner the third competent side.

On the other side, the cross-border cooperation has the risks connected to probable mistakes at the cargoes customs registration that entails various financial sanctions down to confiscation of the goods at which customs registration infringements were found out. The risks connected to instability of the Belarus legislation (especially tax) and enough tough policy of the state concerning private business was marked too.

Some functions of foreign partners, as the questionnaire results indicate, consist in: the initial capital contribution for set up a new enterprise by way a contribution to the authorized fund; the partner support in difficult situations, for example, as a guarantee for getting a bank credit; the partner personnel training; the providing by cheaper recourses, the organization of some partner operations on a foreign market, etc.

The most widespread positive result of cross-border cooperation for Belarus partners consists in behavioral training in market condition. Other useful cross-border cooperation effect is cooperation with partner networks. It's very important for Belarus enterprises' positioning on the foreign markets and makes it possible to mitigate risks.

There is a rather strong tendency to the clusterization of SME' cross-border cooperation in the surveyed regions in some branches. First of all it concerns wood-working industry and light industry.

## **5. Cross-border Entrepreneur Cooperation Opportunities in the Context of Steady Studied Regions Development**

Analytical and empirical researches allow doing a conclusion about opportunity to have positive effect on the steady studied region development throw cross-border entrepreneur cooperation activation of local authorities, business associations, households and SMEs. At the same time it's necessary to emphasize a special role of two special institutional forms – free economic zones and euroregions.

For example, FEZ 'Grodnoinvest', euroregions "Neman" and "Lake District" are proving grounds for re-structuring and modernization of former economic systems, fast change of traditional social and economic reference points of development, attraction of foreign investments and formation of "points" of growth of competitiveness on western border Belarus territories. At the same time, in spite of the fact that the most of euroregions exist ahead of FEZs, their role in cross-border cooperation development is considerably less. An example of occurrence of new reference points of development can become formation of agro-ecotourism enterprise sector on the basis of active cross-border cooperation of households, the SMEs (including farmer and others rural SMEs) and the business support organizations.

The European Union enlargement to the east, according to the Belarus western border situation, has not only new potential opportunities, but also inseparable from them in the generalized opinion of respondents new problems and even threats (see table 1), that it is necessary to take into account in cross-border regulatory politics development on

near- and long-term prospect. This is especially important for the entrepreneur sector of border regions as one of the main competitiveness growth factors. It is the employers' unions and associations from both border sides should initiate development, acceptance and realization of bilateral measures on maintenance of a favorable climate for movement of the goods, services, financial and human resources in border zones in new conditions. However, according the research results, they frequently appear in a tail, instead of in a head of initiators of creation and development of new active mechanisms of cross-border cooperation, preferring to wait for the government decision.

Table 1. The Cross-border Entrepreneur Cooperation Potential Results in the Belarus Western Border Regions

	<b>Positive benefits / contributions to regional development</b>	<b>Threats / negative influences on stability of regional development</b>
1	2	3
The households	The development of the integrated into the international market regional business due to accumulation of the capital and the international cooperation experience. The increase of competitiveness of border areas due to purchase by the population of skills of identification of enterprise niches, flexible reaction to the market and manufacture of new production. The restoration of the destroyed communications and cooperation networks with neighboring countries.	The loss of opportunities of the long-term economic development from non-use of people qualification, left to "shuttle" business. The "Failure" in of a know-how transfer because of break of workers' continuity in a science and education sphere, technologically complex manufactures. The emigration of initiative and entrepreneur people for more effective variant of employment abroad.
SMEs, individual entrepreneurs	The use of a starting production phase under trade marks of the foreign partner for approbation of own manufactures and products with the purpose of the losses reduction. The use of favourable position of Belarus as jumping-off place for an output on the extensive markets of the CIS countries. The assistance to strategic regional competitiveness growth; maintenance of steady regional development, including the environmental problems decision.	The threat of the Belarus enterprises absorption in developed by them during cooperation niches in the EU market, in the advanced by them networks of contacts and reputations by the foreign capital. The threat of region branch structure strategic priorities displacement as a result of capitals injection in the branches bringing the short-term period feedback, because of the foreign investors' fears before the probable Belarus legislation changes.



Table 1 (cd.)

1	2	3
Institutes (local authorities, business associations, etc.)	The legal and information field formation for the enterprises' cross-border cooperation. The “bridging” between the neighboring countries local authorities as a basis for the future joint initiatives, supporting business development and cross-border cooperation.	Too high level of decision-making about the cross-border cooperation projects, the rigid regulation of cross-border activity types and its realization conditions with the local authorities' interests and experience ignoring can lead to the loss of opportunities, the high transaction expenses and the suboptimum territorial development.

The surveyed sectors respondents (the institutes, the households, SMEs) consider, that on the one hand, the European commission declares the good neighborliness border area creation, and on the other hand – the skies are darkening. Of course, the EU countries want to be protected from terrorism, a narcotics and other problems. But it is necessary to think about the procedures simplification for the border regions inhabitants, the enterprises and the organizations. Some businessmen express the idea about the creation in the EU border area the special "buffer zone" for the simplified trading operations and other kinds of cooperation. Other words, the entrepreneurs, having border territories' business development targeting, think it necessary to stimulate cross-border cooperation through “economic border washing”.

The Belarus strategic purpose of steady social and economic development is Belarus people well-being approach to the level of economically advanced European states on the basis of the innovative – structural technological updating and increase of competitiveness of national economy at preservation of the surrounding natural environment for present and future generations (Александрович, Богданович 2010). The cross-border ethno cultural and entrepreneurs cooperation may be an additional opportunity to maintenance of steadier development and growth of competitiveness of border regions to the European community.

**The conclusion**

The Belarus western border cross-border cooperation problems are various and changeable. At the same time, the knowledge about this cooperation both in Belarus, and in the Belarus western neighbors



(Poland, Lithuania and Latvia) are fragmentary because of the different reasons. First of all, this is due to a short period of the experience in this area after EU enlargement to the east. Therefore, it's necessary to carry out the investigation in the area of divided by state borders communities' interaction. This investigation need to be done not only for cognitive purpose, but for the increase of the regional policy effectiveness. The cross-border entrepreneurs' cooperation possesses a value for the border territories competitiveness increase, their steady development and the local population living standard increase in this context.

To be noticed is that cross-border cooperation has an impact not only on local level, but on national and international levels. Meanwhile quite recently it represented a secondary sphere of life of population in the border regions. The euroregions are a well-known and appreciated form of cross-border cooperation in the Western Europe. They have to play a key role in the development of friendly relations inside the Belarus border territories and, especially, in the sphere of entrepreneurs cooperation support. In the meantime, euroregions still are a novelty which meets at times indifference, and at times and with mistrust and even aversion in Middle East Europe<sup>4</sup>. Therefore, it's necessary to support the euroregional movement, by demonstrating its potential benefits for maintenance of steady development of border territories and by promotion of positive experience in this area.

The cross-border entrepreneurs' cooperation may be an effective method of economic backwardness overcoming and should find a worthy place in the regional and local development strategy. The development and effects of this cooperation substantially depend on the formal and administrative conditions created by authorities. Accordingly, the general government at all levels responsible for a regional policy should attend to cross-border cooperation questions. According to official statistics, the number of micro, small and medium enterprises in Belarus border regions are going up, it is indicate of the potential opportunity of cross-border entrepreneurs' cooperation activation.<sup>5</sup>

<sup>4</sup> W. Kosiedowski, *Regiony Europy Środkowo-Wschodniej w procesie integracji*, Wydawnictwo Naukowe Uniwersytetu Mikołaja Kopernika, Toruń 2008.

<sup>5</sup> Малое предпринимательство в Республике Беларусь 2010. Статистический сборник, Минск 2010: Национальный статистический комитет Республики Беларусь.

## Bibliography

Kosiedowski W., *Regiony Europy Środkowo-Wschodniej w procesie integracji*, Wydawnictwo Naukowe Uniwersytetu Mikołaja Kopernika, Toruń 2008.

*Краткий внешнеэкономический словарь-справочник*, Международные отношения. Москва 1999.

Литвинюк А.И., *Трансграничное сотрудничество и европейская кооперация*. БГПУ. Минск 2009.

Малое предпринимательство в Республике Беларусь 2010. Статистический сборник 2010, Минск: Национальный статистический комитет Республики Беларусь.

О государственном регулировании внешнеторговой деятельности, Закон Республики Беларусь от 25 ноября 2004 г. № 347–З.

## ENTREPRENEURSHIP CROSS-BORDER COOPERATION FROM THE PARTICIPANTS' POINT OF VIEW

### Abstract

Results of empirical research of cross-border cooperation of enterprises in the regions of Belarus bordering to UE are discussed. Research was carried out in 2009-2011. The purpose of research was to reveal the character, the forms and the scale of entrepreneurship cross-border cooperation from the participants' point of view. The basic method of research included interviewing of selected respondents according to standardized schemes developed for three groups of respondents: institutional structures, households, heads or managers of small and medium enterprises. As a result of research a hypothesis was raised about an opportunity of stimulation of cross-border cooperation through the "economic washing out of the border". Both potential contribution to regional development and the probable threats to its stability were taken in to account in the suggestions preparation process.